

To: Alisha Johnson/DC/USEPA/US@EPA[]
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aguillen@politico.com
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By Alex Guillén | 1/17/13 6:00 AM EST

With help from Darius Dixon and Erica Martinson

ALGERIA ATTACK WON'T SPIKE PRICES: A rare attack on an Algerian natural gas installation won't have a direct impact on U.S. energy prices, but it could raise the specter that attacks may spread across Africa and the Middle East. Algeria, a member of OPEC, supplies about a quarter of Europe's natural gas imports and produces about 1.3 million barrels of oil per day, much of which is shipped to the United States. But none of that gas comes to the U.S., so supplies here won't be affected, and so far there has been no sign that oil supplies in Algeria or other key African producers are under threat — for now. Matt

Daily and your morning host have more: <http://politico.pro/WJMfjR>

THE BIG QUESTION: “I think people are starting to ask the bigger question — are overseas-producing assets at risk? Are joint venture concessions at risk? That’s a question that’s been asked a lot since 2001,” Kevin Book of ClearView Energy Partners told ME. He added: “These nonstate-actor kinds of events have sort of fallen out of the public focus. Yes, there’s been Somali pirates who’ve been kidnapping tankers, but the world oil balance isn’t so tight that a single tanker here or there is an issue. It’s when it becomes a trend, bolstered not just by actual attacks or assaults on infrastructure, but producers’ fear an assault on infrastructure.”

THE BIG PICTURE: The New York Times breaks down the geopolitics of the situation. “Defense Secretary Leon Panetta called the gas-field attack a terrorist act and said the United States was weighing a response. His statement suggested that the Obama administration could be drawn into a military entanglement in North Africa that it had been seeking to keep at arm’s length — even as it has conceded that the region has become a new haven for extremists affiliated with Al Qaeda who threaten Western security and vital interests.” <http://nyti.ms/ZYJMUX>

THE QUESTIONS SALAZAR LEAVES: Interior Secretary Ken Salazar’s departure leaves plenty of open-ended questions on the future of his department and the activities it oversees. Topping the list: The fate of major rules for fracking on public lands, set to be finalized sometime this year (and just maybe before Salazar leaves by the end of March). A draft rule from last year required approval to frack a well but not disclosure of chemicals used in the process; finalization of that rule was pushed back to give Interior more time to absorb public comments. Other questions: What will Interior do about Arctic drilling, something Salazar said last week he never felt fully comfortable with? Will large-scale solar and wind projects continue to show interest in developing public lands? Will offshore wind get moving?

TELL ME WHAT YOU REALLY THINK: A couple of Republicans didn’t pull their punches in saying au revoir to Salazar yesterday. “Secretary Salazar was not a friend to my home state of Utah or other public lands states for that matter,” Rep. Rob Bishop said. But, he added, “While Secretary Salazar does bear some of the blame for the administration’s particularly abysmal first four years, it is not entirely his fault. The fact that certain forms of energy were prioritized and favored and new land designations catered to certain types of users can be blamed on the fact that this administration is beholden to radical special interest groups.” Sen. David Vitter (R-La.) also showed his displeasure: “I wish Ken Salazar, a Senate classmate, all the best. But I honestly won’t miss him as Interior secretary.”

HAPPY THURSDAY and welcome to Morning Energy, where we’d like to suggest the next Interior secretary style her- or himself with a cravat and Panama hat. Send your energy news to aguillen@politico.com, and follow on Twitter [@alexanguillen](#), [@POLITICOPro](#) and [@Morning_Energy](#).

MCAULIFFE LANDS ENERGY, ENVIRO CONTRIBUTIONS FOR GOVERNOR CAMPAIGN: Yesterday ME wrote about energy-related contributions to Republican Ken Cuccinelli’s gubernatorial campaign in Virginia included in year-end disclosure filings. As it turns out, Democrat Terry McAuliffe appears to have reeled in more from energy and environmental contributors than Cuccinelli — at least \$71,000 worth, according to ME’s review of McAuliffe’s disclosure. Much of that is from a \$50,000 contribution from Shaw Environmental, a unit of the Fortune 500 company Shaw Group. Other large donations include \$10,000 from Apex Wind Energy CEO Stanislav Reisky de Dubnic; \$5,000 from Ankit Desai, a vice president at Cheniere Energy; and \$1,000 from AES Solar CEO Robert Hemphill.

Notable: Dave McCurdy, CEO of the American Gas Association, gave McAuliffe \$250 (McCurdy also gave to Tim Kaine’s Senate campaign last year); Susan Carter, senior director of federal relations for ExxonMobil, gave \$500; Glen Besa, director of Sierra Club’s Virginia chapter, gave \$200; Old Dominion Electric Cooperative CEO Jackson Reasor gave \$500.

Also: Three executives from GreenTech Automotive, the firm founded and chaired by McAuliffe, contributed to his campaign: \$500 from CEO Xiaolin Wang, \$250 from Executive Vice President for Finance Gary Tang and \$100 from general counsel Nathan Howard.

**** A message from America’s Natural Gas Alliance:** The safe and responsible development of natural gas supports more than 2.8 million jobs across the country. Curious what the economic benefit is for your state? Find out by using our interactive U.S. map at www.anga.us/map. **

PACKIN’ UP PADUCAH: The Energy Department announced a three-year \$22.5 million contract yesterday with Professional Project Services Inc. for environmental clean-up services at the Paducah uranium enrichment plant in Kentucky. A complicated agreement last year between DOE and several partners allowed the plant to stay in USEC’s hands until this May. PPS’s contract to do radioactive decontamination, decommission and regulatory compliance work starts Feb. 1 and can receive up to two one-

year extensions. The (brief) announcement: <http://1.usa.gov/13EFJko>

VITTER, INHOFE QUESTION EPA PAVILLION REPORT: Senate Environment and Public Works ranking member David Vitter (R-La.) and Sen. Jim Inhofe (R-Okla.) plan to send a letter to EPA Administrator Lisa Jackson today questioning the agency's draft report investigating ground water contamination near Pavillion, Wyo. The senators say that EPA's decision Jan. 11 to again extend the comment period — this time for eight months — shows that the initial report was hastily crafted with political, rather than scientific, purposes in mind. Vitter and Inhofe plan to ask EPA to justify the scientific validity of the final result and explain how it may be used to inform new regulations on hydraulic fracturing.

THE 'PROMISED LAND' EFFECT? There's been a spike in the percentage of New Yorkers who oppose allowing fracking in the Empire State since December and polls throughout much of last year, according to a poll out today from Siena College. Forty-four percent now oppose the practice, up from 36 percent from a poll conducted in early December. The number approving fracking, 40 percent, is down slightly from 42 percent (within the margin of error).

PEW LAYS OUT POLICIES TO BOOST U.S. CLEAN ENERGY: Technological advances have poised clean energy for a global boom, though the U.S. could lag behind without action, Pew writes in a report out today. "On a variety of key measures — from innovation to manufacturing to deployment — the United States is struggling to maintain a position of leadership in the global economic and technological race," the report says. "Policies that encourage the deployment, innovation, manufacturing and trade of clean energy technologies will help bolster the competitive prospects of American industry." The report: <http://bit.ly/Uv2NOs>. Pew will host a webinar today at 11 a.m.: <http://bit.ly/W58IP2>

WELL THAT WAS FAST: Newly minted Washington Gov. Jay Inslee's first official act was to write a letter to a clean energy company asking it to move to the Evergreen State. Text, via Inslee's Flickr: "I took the oath of office 45 minutes ago and my first act as governor is to write you to invite you to join us in Washington in building a new energy economy. I look forward to shaking your hand." Pic: <http://bit.ly/ZZbbpS>

FERC IT LIKE A POLAROID PICTURE: FERC's monthly meeting today is short on rulemakings, but the agency will decide on a policy statement (<http://1.usa.gov/OuTWJY>) attempting to remove hurdles in transmission investment by granting developers more power in negotiating the terms of new electric lines with potential customers. FERC will also issue a rule on how it will calculate annual fees levied on hydropower projects using federal land. The proposal (<http://1.usa.gov/YaaUVk>) for the rule suggested bringing the commission's pricing practices more in line with BLM's methodology. 10 a.m. at FERC HQ, 888 First St. NE. Live webcast: <http://1.usa.gov/y00BJo>

NERC, FERC SETTLE ON AUDIT: FERC's enforcement office has reached a settlement with the reliability organization NERC over the group's 2012 performance audit. The FERC audit, which covered NERC records between August 2006 and March 14, 2012, reported 42 recommendations in 11 different areas, including unbudgeted expenses and tracking employee time. NERC contested all of the recommendations soon after the report came out last spring. Yesterday's settlement resolves all of the remaining contested recommendations and sets up a procedure for confirming progress on implementing the audit's recommendations. There is no monetary component to the settlement: <http://1.usa.gov/V8FaPc>

HEALTH GROUPS PUSH VEHICLES EMISSIONS STANDARDS: President Barack Obama should "adopt lower sulfur gasoline and cleaner vehicle emissions standards no later than Dec. 31, 2013," public health groups wrote to the president yesterday. "These stronger public health protections will significantly reduce toxic air pollution from the U.S. passenger vehicle fleet and are urgently needed." Read: <http://bit.ly/10zXVxT>

CHU, ZICHAL APPEAR TODAY AT MAYORS CONFERENCE: Several administration officials are showing up for the opening day of the U.S. Conference of Mayors' three-day meeting. Making appearances: Energy Secretary Steven Chu, White House climate adviser Heather Zichal, Vice President Joe Biden and Agriculture Secretary Tom Vilsack. Chu will address the USMC's energy committee, along with Philadelphia Mayor Michael Nutter, New Bedford, Mass., Mayor Jon Mitchell and Zia Eftekhari of Philips Lighting. Zichal is stopping by a meeting of the group's Energy Independence and Climate Protection Task Force. The day starts at 9 a.m. at the Capital Hilton. Agenda: <http://bit.ly/Y9S2Gf>

AL GORE WEIGHS IN on last week's news that the New York Times is disbanding its environment desk and moving the reporters elsewhere: "While I am sad to see this dedicated desk come to an end, I hope that its tremendous reporters can, as the newspaper's leadership promised, continue their crucial work and can help influence the general newsroom by incorporating important environmental perspectives throughout the paper," the former VP wrote on his blog: <http://bit.ly/W1feDs>

NEW BPA CHIEF: The Bonneville Power Administration, which is overseen by DOE, has picked up Bill Drummond as its new administrator following the retirement of current chief Steve Wright. Drummond has been BPA's deputy administrator since

October 2011, and before that managed the Western Montana Electric Generating and Transmission Cooperative in Missoula, Mont., for 17 years. BPA sells electricity generated by hydroelectric dams and operates the surrounding grid.

QUICK HITS

— A California electronics dealer is selling individual Solyndra tubes for \$9.50 apiece. San Francisco Chronicle: <http://bit.ly/VoKOdG>

— Alaska Gov. Sean Parnell's oil tax proposal would "have an immediate negative fiscal impact of \$900 million next year," the AP reports: <http://bit.ly/WJLUxD>

— Wind manufacturer Vestas will hire at least 100 people at its Pueblo, Colo., facility after inking a deal to provide towers for third-party wind farms in North America. Denver Business Journal: <http://bit.ly/11A9Z1b>

— The Seattle Times takes a closer look at lithium-ion batteries: <http://bit.ly/S6kdCI>

— Henry David Thoreau's flower journal is giving new data to climate scientists. New York Times: <http://nyti.ms/ZYQeLO>

HAPPENING TODAY

8 a.m. — ICF International hosts API chief economist John Felmy to discuss transition in U.S. petroleum markets. <http://bit.ly/13EpljS>. 1725 I St. NW

8:20 a.m. — The National Council for Science and the Environment's disasters and environment conference wraps up with a keynote from Sen. Mary Landrieu (D-La.). <http://bit.ly/S3DsJq>. Ronald Reagan Building

10 a.m. — Scientists and advocates host a news conference to share new research regarding the Keystone XL pipeline (previous coverage: <http://politico.pro/XcLQqL>). National Press Club

11 a.m. — On a conference call, API calls on DOE to expeditiously review and approve applications for American LNG export facilities.

1:30 p.m. — The Bureau of Ocean Energy Management holds a public seminar on the offshore wind auction process. Richmond, Va.

2:30 p.m. — The Biotechnology Industry Organization and Fuels America host a teleconference on the RFS.

THAT'S ALL FOR ME. Have a great day.

** A message from America's Natural Gas Alliance: We believe in a clean energy future. Natural gas is a cleaner energy choice and a key partner to solar and wind technologies. From California to Florida, natural gas facilities are working with renewable energy to ensure steady, affordable and cleaner energy choices for communities across our nation. Because it is an abundant and affordable energy source available right here in America, natural gas can help make the promise of cleaner energy a reality in more American communities. Natural gas is smarter power today. Visit anga.us to learn more. **

Stories from POLITICO Pro

No Algeria price effect, but fears mount

Activists: Study will add to dire warnings

No Algeria price effect, but fears mount back

By Matt Daily and Alex Guillén | 1/16/13 7:51 PM EST

A rare attack on an Algerian natural gas installation won't have a direct impact on U.S. energy prices, but could raise the specter that attacks may spread across Africa and the Middle East.

Islamic militants claimed to have kidnapped 41 foreigners, including as many as seven Americans, during a raid on the gas field in southeastern Algeria. Three people at a plant operated by BP, Statoil and state-owned Sonatrach were killed, including one Briton and a French citizen, according to Reuters.

An Al Qaeda-linked group said the attack on the plant had been in retaliation for Algeria's decision to allow French jets to use its air space for attacks on militants in Mali.

Algeria, a member of OPEC, supplies about a quarter of Europe's natural gas imports and produces about 1.3 million barrels of oil per day, much of which is shipped to the United States.

But none of that gas comes to the U.S., so supplies here won't be affected, and there so far has been no sign that oil supplies in Algeria or other key African producers are under threat — for now.

"But if the threat level is escalating, then the implication is greater amounts of money and a greater diversion of resources is going to have to go to protecting those assets, and that does have an inflationary impact, over time, depending on how widespread it is," said Kevin Book, managing director of Clearview Energy Partners.

Other major energy companies that work in Algeria's oil and gas fields include Anadarko Petroleum, ConocoPhillips, Italy's Eni, Shell and Total.

Still, the attack was notable since Algeria faced few threats to the industry that contributed 36 percent of its GDP in 2010.

"Given how successful Algeria has been at protecting its oil and gas installations over the decades, a raid like this was seen as fairly unlikely," said Sam Ciszuk, an analyst with British-based consultancy KBC Energy Economics, told Reuters. "Either the Islamist group got lucky, or it really demonstrates how their capabilities have grown," Ciszuk added.

Activists: Study will add to dire warnings

By Darren Goode | 1/15/13 5:38 PM EST

Climate activists have warned for years that building the Keystone XL pipeline would be disastrous for the Earth's future.

Now they say it's even worse than they thought.

Pipeline critics will release details Thursday of a new report indicating that the pipeline's carbon emissions and climate impact are "going to be much greater than previously understood," said Daniel Kessler, spokesman for the activist group 350.org. That's because the report takes into account the impact of petroleum coke, a waste product of the process that breaks down the carbon molecules of the thick, oil-sands-based crude oil at refineries after it has been shipped through the pipeline.

The argument is that thick oil — like the kind that comes out of the Canadian oil sands — produces more petroleum coke than other varieties of oil do when it is distilled. Then the coke is combusted in U.S. manufacturing facilities or abroad. This combustion produces greenhouse gases and other emissions, which pipeline critics say should be counted in evaluating the impact of the pipeline.

Petroleum coke was not included in previous State Department and EPA analyses, Kessler said. He declined to detail exactly how much more of an impact the pipeline will have when you take the petroleum coke into account.

The new report is from Oil Change International, a research and advocacy organization.

Cindy Schild of the American Petroleum Institute challenged the group's reasoning, saying petroleum refineries would still need to meet the same EPA air emission standards when processing the thicker oil-sands-based crude.

Schild, API's refining and oil sands senior manager, added that the State Department has done an unprecedented evaluation of greenhouse gas impacts from the proposed pipeline. And she said it's better to process the thicker crude at state-of-the-art refineries in the U.S. rather in countries like China — where the Canadian oil may wind up if Keystone isn't built.

Pipeline critics say the previous government analyses didn't take the coke into account because of the assumption that the oil sands would be developed regardless of whether the pipeline is built. Critics counter that defeating Keystone will ensure that the Canadian oil stays in the ground.

TransCanada officials have said that if Keystone XL is not built then the Canadian oil would find other markets.

At the same event Thursday featuring pipeline critics, an official from the Canadian environmental think tank Pembina Institute will detail its own report indicating that the pipeline will lead to greater oil sands production overall.

"It hasn't been fully considered because when the State Department did the analysis of alternatives, they didn't necessarily consider the impact of Keystone XL on driving oil sands expansion in general," said Nathan Lemphers, a senior policy analyst in the Pembina Institute's oil sands program. He also declined to discuss details of his new report.

Thursday's event comes amid a stronger overall push by environmental activists to persuade President Barack Obama to reject the project.

Eighteen climate scientists — led by NASA official and leading climate activist James Hansen — wrote to Obama on Tuesday asking him to deny a permit for the pipeline.

"Eighteen months ago some of us wrote you about the proposed Keystone XL tar sands pipeline, explaining why in our opinion its construction ran counter to both national and planetary interests," they wrote. "Nothing that has happened since has changed that evaluation; indeed, the year of review that you asked for on the project made it clear exactly how pressing the climate issue really is."

A TransCanada spokesman dismissed the concerns.

"There is nothing new in this letter," spokesman Shawn Howard said.

"What some people choose to ignore is that oil is oil. The oil that Keystone XL will transport is very similar to other light and heavy crude oils already being transported safely in pipeline across the United States."

Obama last year approved the pipeline's southern portion, which will connect Oklahoma oil tanks to refineries in Texas. And previous State Department reviews of the entire, roughly 1,700-mile Alberta-to-Texas project have said it would not have a significant impact on greenhouse gases or on the overall environment.

Similarly, Nebraska's environment agency this month concluded that a revised route for the pipeline in the state would successfully avoid the environmentally sensitive Sandhills region and would have only a minimal environmental impact.

Nebraska Gov. Dave Heineman is on a 30-day clock to make his final recommendation to the State Department on whether that revised route should be approved. In turn, the department will issue its latest supplemental environmental impact assessment before making a final recommendation to Obama.[back](#)

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